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The Director of Central Intelligence

Washington, D.C. 20505

Executive Summary

80-3024/4

20 March 1980

MEMORANDUM FOR: Deputy Assistant to the President  
for National Security Affairs

SUBJECT: Economic Implications of Cutoff in  
Olympic-related Payments [redacted]

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You asked for our reactions to actions forbidding U.S. companies from making Olympic-related payments to the USSR (IEEPA or otherwise). They are:

[redacted]

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2. There would be no perceptible effect on the value of the dollar over the long run and probably little impact on exchange markets in the short run. Over time, relative rates of inflation and the market's perception of the effectiveness of US economic policy will determine the value of the dollar. In the short run, any impact would be psychological and short-lived since the amount of dollars involved is insignificant. In fact, the action would probably be perceived as simply a natural extension of US policy not to participate in the games. [redacted]

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3. Such an action would at most have only a small impact on Soviet and East European trade with the United States. Previous US actions, particularly the suspension of US exports of superphosphoric acid to the USSR and imposition of a ceiling on US imports of Soviet ammonia, have convinced the USSR that the United States is an unreliable supplier and that contracts with US firms should be limited to items not available elsewhere. Blocking Olympic-related payments would reinforce this attitude. [redacted]

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4. Judging by Soviet reactions to previous US actions, "retaliation" by Moscow, if any, would be limited. The USSR does

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Review on 20 Mar 1986

25X1

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not wish to provoke the ill will of US business and, just as importantly, wishes to demonstrate to other Western firms and governments that it will remain a reliable trading partner during periods of political tension. East European countries will continue to trade with the United States as long as such trade is economically beneficial to them; Moscow would be hesitant to use Eastern Europe as a tool at a time when East European economic growth is itself dependent on maximizing the gains to be made from trade with the West.

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